
Questions and Answers

Questions from Council members related to the Gold Rush Service and the CityLYNX Gold Line Project

Question 1: For the Gold Rush, why would we not charge a fare to avoid service cuts?

The FY14 proposed Gold Rush budget has a funding gap of \$150,000 due to reduced private contributions, the closure of federal grants and anticipated reductions in the State Maintenance Assistance Program contribution. A fare could be charged for the Gold Rush but it is estimated to have minimal effect on covering the cost for the following reasons:

- Since the route has a limited service area the fare would be at CATS normal shuttle service fare of 75 cents.
- It is believed that the current corporate sponsors would not continue to sponsor the service resulting in the need for fares to cover an additional \$207,000 beyond the existing \$150,000 gap.
- Based on transit industry models, ridership would decrease nearly in half because of shifting from a free to paid service further reducing revenue.
- Of the remaining ridership, approximately 63% of those would be riders that currently own a CATS pass or currently pay when riding that stretch of the route. These existing paying customers could choose to ride any of the five plus routes that transverse down the route.
- The remaining new fare paying customers would bring in approximately \$60,000 annually.

Question 2: For *CityLYNX Gold Line Phase 1 and 2*, what are the plans for fare revenue?

CityLYNX Gold Line Phase 1:

- During this phase fares would not be charged.

CityLYNX Gold Line Phase 2:

- Plan to charge fares at CATS prevailing rate at the time of operation.
- The fare would be same as the LYNX service which today is \$2.00 per trip but would be higher when Phase 2 service starts based on CATS policy requiring fares to increase every two years.

Question 3: *What are the areas of potential development and redevelopment along the CityLYNX Gold Line?*

Figures 1 and 2 below show the expected development opportunity areas along the CityLYNX Gold Line route.

Figure 1

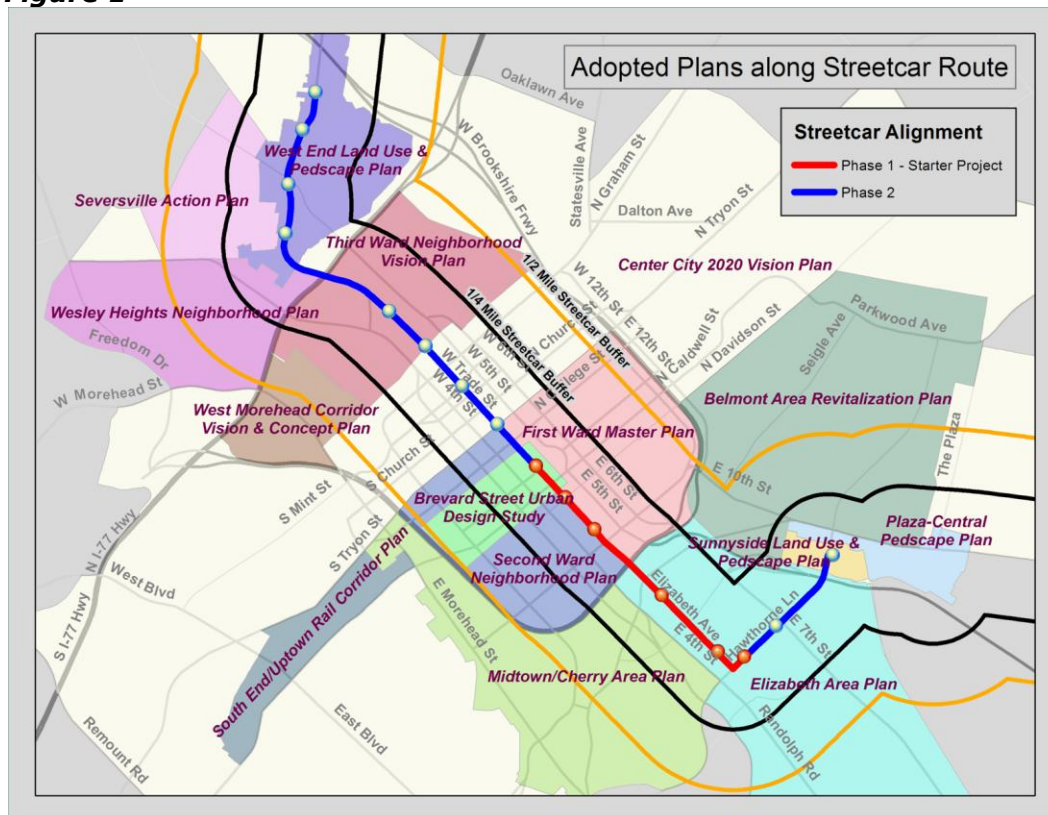
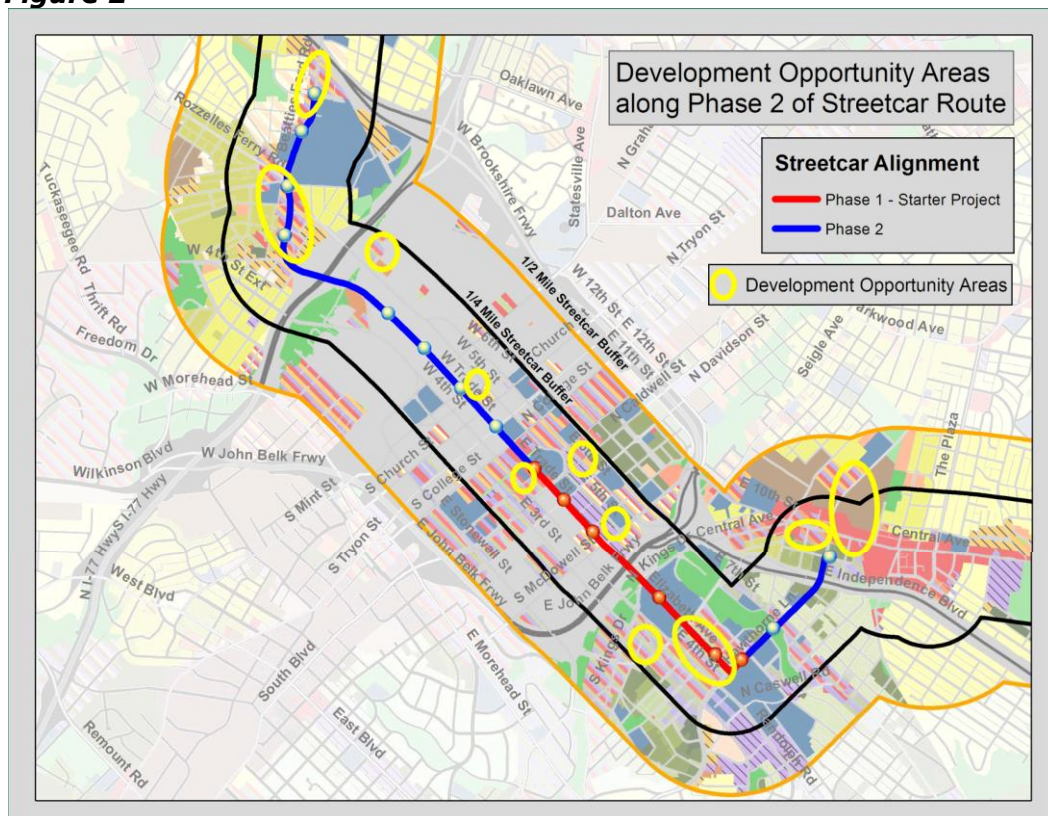


Figure 2



Question 4: *What are the operating revenue assumptions for the CityLYNX Gold Line? Are there sufficient funding sources identified to cover the projected operating costs?*

Annual operating cost in the first year of operation for the CityLYNX Gold Line Phase 2 is estimated to be \$3.3 million to support vehicle operations, basic equipment maintenance, and safety and security.

Funding for operations of the CityLYNX Gold Line will be provided from a variety of sources including ridership fares, advertising, naming rights, and potentially some form of property-based value capture revenue from sources such as Tax Increment Financing (TIF) districts, Special Assessment Districts (SADs), or Municipal Service Districts (MSDs). The potential funding sources below would be sufficient to cover the projected operating costs.

- Staff estimates fare revenue of approximately \$1.1 million per year, to be collected for the combined Phase 1 and 2 four-mile route at the same rate as for the LYNX service.
- A new Municipal Service District (MSD) could also be created to support annual operating costs. According to the BAE Economic Development Update Study of the CityLYNX Gold Line, a new MSD encompassing properties within ¼ mile of the four-mile CityLYNX Gold Line Phase 1 and 2 corridor could generate annual revenues of approximately \$1.2 million from a 2.0 cent (per \$100 valuation) property tax.
- Other potential sources of revenue to support the annual operating costs include a reallocation of a portion of the annual allocation to the Business Corridor Revitalization program (\$750,000), Naming Rights (\$200,000), and advertising (\$93,000).

Additional funding will also be required to build a capital maintenance reserve to perform regular vehicle overhauls every five years and mid-life vehicle overhauls every 15 years. A revenue source will need to be identified and established to provide approximately \$2.7 million every five years for the regular vehicle overhauls, and approximately \$6.6 million every fifteen years for the mid-life overhauls. In the fifteen years between Year 5 and Year 20 of operations of the CityLYNX Gold Line, approximately \$14.8 million will be required to support the capital maintenance reserve.

Staff believes an appropriate source of revenue to build and maintain the capital maintenance reserve would be to establish a Synthetic Tax Increment Financing (STIF) district encompassing properties within ¼ mile of the four-mile CityLYNX Gold Line Phase 1 and 2 corridor. According to the BAE Economic Development Update Study of the CityLYNX Gold Line, this STIF district could generate sufficient revenues to support the capital maintenance reserve, and the timing of the five and fifteen year vehicle overhauls would allow time for the STIF district to build sufficient revenues to cover those costs.

Question 5: *What is the potential debt capacity from BAE-estimated annual revenues derived from Municipal Service District (MSD) and Tax Increment Financing (TIF) districts along the 4-mile CityLYNX Gold Line Corridor?*

- If the revenues are received as laid out in the BAE study, TIF and MSD revenues along the ¼ mile Gold Line corridor could provide between \$20 - \$39 million of debt capacity.
- As discussed in page 10 of the BAE study, the report cannot state with certainty when those revenues may occur between 2015 and 2035. Therefore, some additional source of funding for capital would need to be identified in order to support any delay in the receipt of value capture revenues.

- BAE has made representation to staff that a portion of development associated with the Gold Line is growth that has been redistributed along the East/West corridor from other parts of the city. City wide growth is already projected in the General Fund forecast and the debt capacity for the proposed CIP. Gold Line value capture could negatively impact projections.

Question 6: *What are the estimated number of jobs that will be created by the CityLYNX Gold Line?*

In May 2013, City Council asked staff to provide a report on the employment impacts of the CityLYNX Gold Line, similar to the employment impact estimates made for CIP projects under discussion by the Economic Development Committee and the Transportation and Planning Committee in February and March. The analysis was conducted by a team led by Michael Gallis and assisted by Frank Warren of Kimley-Horn and Associates, Inc. The final report from the Gallis Team will be provided to City Council upon its completion. A summary of the scope and major conclusions from the report is shown below.

- The employment projections contained in the Gallis Report are based on the development projections in the Economic Development Update Study completed by Bay Area Economics (BAE) in May 2013.
- The analysis in the Gallis Report is concerned with the permanent employment created by the office, retail and hotel development within this corridor. It does not address the temporary jobs that would be created by the construction phase of the CityLYNX Gold Line or buildings in the corridor. While significant residential development would occur due to the CityLYNX Gold Line, this development generates primarily temporary construction jobs, and does not directly generate the permanent jobs that would be accounted for in this analysis.
- The 2013 BAE Update Study focused on the 4-mile corridor comprising the CityLYNX Gold Line Phases 1 and 2, which were divided into segments referred to as Uptown Phase 1 and Midtown Phase 1 - which are funded and currently under construction, and Uptown Phase 2, Midtown Phase 2, and West Phase 2 - which are currently being considered for funding by City Council.
- The permanent employment generated by each of these CityLYNX Gold Line segments has been calculated along with a description of the market conditions in each corridor segment. Totals for employment for both the Phase 1 segments and the Phase 2 segments will be included in the report. Employment for the proposed segments beyond Phases 1 and Phase 2 was not calculated. Thus the total employment for the CityLYNX Gold Line contained in the Gallis Report reflects the total for Phase 1 and Phase 2 only.
- In the 2013 BAE Update Study, the increment of increase in office development due to CityLYNX Gold Line in the Uptown Phase 2 and Midtown Phase 2 segments is significant. In the Uptown Phase 2 segment, office space would increase 68.5% due to CityLYNX Gold Line. In the Midtown Phase 2 segment, office square feet would increase 63.1%.
- The amount of office space due to CityLYNX Gold Line Phase 2 is projected to be in the 60+ percent range.

The table below shows the projected number of permanent jobs expected by 2035 that would be generated by the office, retail, and hotel development projected by BAE to occur in each of the CityLYNX Gold Line segments.

CityLYNX Gold Line Phase 1 and 2 - Jobs Impacts by 2035				
	Office	Retail	Hotel	Total
Uptown Phase 1	2,087	118	25	2,230
Midtown Phase 1	622	197	31	850
Phase 1 Total	2,709	315	56	3,080
Uptown Phase 2	1,057	44	17	1,118
West Phase 2	129	14	28	172
Midtown Phase 2	44	4	15	62
Phase 2 Total	1,230	62	60	1,352
Total CityLYNX Gold Line (Phase 1 and 2)	3,939	377	116	4,432

The Gallis Team also looked at the CityLYNX Gold Line's potential synergy with other investments, similar to the work they did for the other proposed CIP projects. Their review concluded that:

- The most important synergy generated by CityLYNX Gold Line will be created by extending the impact of the commercial, residential, institutional and sports development in the center city into the surrounding communities.
- The synergy will act in two directions, the first being the accessibility of the center city amenities from the surrounding neighborhoods and increasing the accessibility of the Center City to a greater residential marketshed.
- The impact of CityLYNX Gold Line on development on the corridor will be significantly expanded by its connection to, and function as a local distributor for the LYNX Blue Line and its extension to UNCC.
- In the future, the CityLYNX Gold Line will act as a critical link between the Blue Line station at the Transit Center on East Trade, the Red Line, and the proposed high-speed rail Gateway Station on West Trade St.